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Chile

Wine

Competition Annual

2003

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Report Highlights:
The production outlook for Chilean wine this year is similar to last. A good quality production is expected together with an expansion in exports. Wine producers are paying increased attention to quality in an effort to increase both foreign and domestic sales. Fewer table grapes are expected to be used in wine production, as grape production of wine varietals becomes more pervasive.

Includes PSD changes: Yes
Includes Trade Matrix: Yes
Annual Report
Santiago [CI1], CI

Executive Summary

Chile's wine production is expected to be similar to last year, not withstanding newly planted areas and replacement of existing vines with improved varieties, which are coming into production.

Chile has an estimated 8,000 producers of wine grapes. The wine industry has expressed some concerns about the explosive increase in the planted area during the last few years. Total planted area has increased over 70 percent in the last 6 years. Industry sources indicate that once the new areas come into production, wineries will have to invest in new processing and storage facilities to absorb the annual additional output. As a result, industry estimates that over $700 million must be invested for this additional storage capacity over the next few years.

Planted Area

Chile's Ministry of Agriculture estimates total planted area of vines for wine to be 108,000 hectares. Out of the total planted area, around 76 percent are red varieties (20 red varieties, almost half of are Cabernet Sauvignon). Also almost 75 percent of all planted area is irrigated. New vineyards continue to be established, and existing operations continue to expand and/or replant to export varieties. As a result, Chile's total exportable wine is expected to increase further in coming years.

However, total area and production of "traditional" (non-varietal) vineyards will fall in the coming years. The number of wineries has increased from 25 to over 120 in the last ten years. The established wineries are increasingly concerned that growth in planted area in Chile and in other countries will lead to over-production and depressed international prices. The industry's strategy, therefore, is to develop exports of more premium quality and reserve wines, while reducing sales of bulk wine. This strategy has begun to be implemented with the replanting of vineyards with distinctive varietals suited to local climatic and soil conditions. Chile's wineries also are expected to reduce the use of surplus table grapes, as their own production of wine grapes increases.

Production

Wine production for MY 2001 (Jan-Dec, 2002), was slightly smaller then forecasted, in spite of a significant increase in the harvested area. Rain in the most important production areas together with increased pruning of grape bunches in order to improve the quality of the grapes, reduced production. Most wineries also have raised their quality specifications for grapes or grape musts from suppliers.

Total production for MY 2002 (Jan-Dec, 2003) is expected to remain similar to MY 2001, although a large area of newly planted vines will begin producing. As in MY2001, most wineries are taking measures to reduce production in favor of a higher quality wine. Last season's good growing weather, also will contribute to the excellent quality expected in CY2003.

As production of higher quality wine increases, as a result of an expansion in planted area of improved wine varieties, the use of table grapes for wine production will continue to fall. Consequently, some wineries with operations in Argentina are importing increased quantities of lower quality wines for the tetra pack and lower quality market.

Table 1: Chile - Wine Production, Consumption and Exports

				Exports	
	Area Planted (Th. Has)	**Production (Mill. Ltr.)**	**Per Capita Consumption**	**Mill. Ltr.**	**Mill. US$**
1982	105	603	52	8	11
1987	67	440	35	14	17
1988	66	423	35	17	22
1989	66	390	30	29	35
1990	65	398	25	43	52
1991	62	292	22	65	85
1992	62	370	17	74	119
1993	62	486	13	87	128
1994	53	411	13	111	143
1995	54	385	15	130	182
1996	56	481	16	185	294
1997	63	536	16	224	428
1998	75	547	17	251	540
1999	85	481	19	240	534
2000	104	679	15	276	585
2001	107	580	15	299	600
2002	108	574	15	356	610
2003 1/	109	575	15	380	630

1/ FAS Forecast

Source: National Agricultural Society (SNA) and Central Bank.

Trade

Chile's wine exports for MY 2002 are projected to continue to grow, as foreign demand for good quality, low priced wine remains strong. New markets, such as China and India, will be an important factor for further expansion of exports. An improvement in quality and continued low prices also are expected to spur overseas demand.

Chile traditionally exports both bottled and bulk wine. The volume of bottled wine exports has been increasing significantly every year, whereas bulk wine exports have increased at a slower pace. In 2002, bottled wine represented over 60 percent of total wine exports. Currently, there are more than 70 Chilean wineries exporting. Over 60 percent of Chile's total yearly production is exported, supplying more than 100 countries.

An increase in wine stocks together with a fall in domestic wine prices are the main reason for a continuous decline in wine imports. In 2002, imports totaled only 1,656 HL. Imports from Argentina depend on Chile's production of lower quality wine and prices in Argentina. Wine imports from Argentina are mainly in tetra pack cartons and/or bulk. U.S. wine is also available, usually in premium outlets. However, demand is dampened by prices well above the local market average. In 2003, the tariff rate for U.S. and other wine imports is 6 percent ad valorem. There is also an 18 percent value-added tax and a 15 percent liquor tax applied to all wines sold in Chile. The GOC is proposing an increase in the value-added tax to 19 percent and an increase in the liquor tax from the present 15 percent to 19 percent. The proposal has still to go through Congress.

The wine industry does not expect to significantly increase exports to the European Union, despite the signing of a Free Trade Agreement, since duties were already low. Most Chilean wines exported to the Community, used to pay a duty of 9.1 to 13.3 Euros per HL, which was equivalent to an estimated 4% ad valorem. The FTA agreement with the US also is expected to only have a limited effect on wine export volumes to the US, as the duty which is 6.3 cents per liter is scheduled to be phased out over 12 years.

Table 2: Chile - Wine Export Prices (FOB current US$ per Hectoliter)				
	Sparkling Wine	Bottled Wine	Other	Average
1990	236	143	42	111
1992	239	184	76	161
1994	246	172	49	129
1995	243	223	73	140
1996	252	239	79	159
1997	262	261	108	191
1998	269	282	119	215
1999	233	290	108	223
2000	247	289	91	228
2001	247	286	63	189
2002	260	241	51	171
Source: Central Bank of Chile				

Table 3: Chile - Real Domestic Farm Gate Wine Prices (CH$ Per Liter)							
1981	**1985**	**1990**	**1995**	**1999**	**2000**	**2001**	**2002 1/**
194	105	108	161	401	369	110	149
Exchange rate: US$1.00 = CH$718							
1/ Price are in April 2003 Chilean pesos.							
Source: ODEPA (Ministry of Agriculture).							

Stocks

Stock figures in the PS&D include wine which is in the aging process for both the domestic and export market. Stocks have increased in recent years, as domestic sales and exports have not kept pace with the increase in production due to an explosive increase in planted area.

Policy

Wine production and exports are regulated and certified by the Agriculture and Livestock Service (SAG) of the Ministry of Agriculture. All wine produced in Chile for both the domestic and export market is periodically sampled by SAG, which issues an export certificate that includes the wine's origin and quality. Strict labeling regulations are also enforced for both domestic and imported wines. The government provides no direct subsidies to support wine production or subsidize exports.

PS&D Table - Wine

PSD Table						
Country	Chile					
Commodity	Wine				(1000 MT)(1000 HL)	
	2000	Revised	2001	Estimate	2002	Forecast
	USDA Official [Old]	Post Estimate [New]	USDA Official [Old]	Post Estimate [New]	USDA Official [Old]	Post Estimate [New]
Market Year Begin		01/2001		01/2002		01/2003
TOTAL Grape Crush	0	0	0	0	0	0
Begin Stock (Ctrl App)	0	0	0	0	0	0
Begin Stock (Other)	5090	5090	5652	5652	0	5708
TOTAL Beginning Stocks	5090	5090	5652	5653	5982	5709
Prod. from Wine Grapes	5388	5388	5400	5385	0	5500
Prod. from Tabl Grapes	408	408	400	358	0	340
TOTAL PRODUCTION	5796	5796	5800	5743	0	5840
Intra-EU Imports	0	0	0	0	0	0
Other Imports	8	9	10	26	0	25
TOTAL Imports	8	9	10	26	0	25
TOTAL SUPPLY	10894	10895	11462	11422	5982	11574
Intra-EU Exports	0	0	0	0	0	0
Other Exports	2991	2991	3200	3561	0	3800
TOTAL Exports	2991	2991	3200	3561	0	3800
Dom.Consump(Cntrl App)	0	0	0	0	0	0
Dom.Consump(Other)	2251	2251	2280	2152	0	2250
TOTAL Dom.Consumption	2251	2251	2280	2152	0	2250
End Stocks (Cntrl App)	0	0	0	0	0	0
End Stocks (Other)	5652	5653	5982	5709	0	5524
TOTAL Ending Stocks	5652	5653	5982	5709	0	5524
TOTAL DISTRIBUTION	10894	10895	11462	11422	0	11574

Export Trade Matrix

Export Trade Matrix			
Country	Chile		
Commodity	Wine		
Time period	Jan-Dec	Units:	HL
Exports for:	2001		2002
U.S.	537247	U.S.	313119
Others		Others	
U.K.	572559	U.K.	602944
Canada	312407	Canada	306562
Germany	251374	Germany	292381
Denmark	183833	Argentina	260833
Japan	109582	Denmark	253474
China	107380	China	231820
France	104100	France	148984
Sweden	92289	Sweden	127958
Netherlands	85179	Japan	121702
Ireland	73931	Netherlands	95736
Total for Others	1892634		2442394
Others not Listed	560782		805006
Grand Total	2990663		3560519

Import Trade Matrix

Import Trade Matrix			
Country	Chile		
Commodity	Wine		
Time period	Jan-Dec	Units:	HL
Imports for:	2001		2002
U.S.	37	U.S.	99
Others		Others	
Argentina	3784	Argentina	23253
Chile	3168	Chile	1139
Spain	1301	Spain	651
Brazil	358	Brazil	252
France	327	So. Korea	162
Italy	227	France	147
Australia	69	U.K.	140
U.K.	64	Italy	55
Germany	51	Belgium	37
Japan	23	Japan	28
Total for Others	9372		25864
Others not Listed	28		85
Grand Total	9437		26048